Sales of second homes fall 22 percent

WASHINGTON (AP) — Sales of vacation and investment homes slid 22 percent last year, a sign that tough economic conditions and tight lending requirements shut out buyers, the National Association of Realtors reported Monday.

Second home sales comprised 30 percent of the entire housing market, down from a peak of 40 percent in 2005 when financing was easier.

"The vacation home market really was driven by the availability of debt," said Daniel Alpert, managing director of Westwood Capital LLC, a New York-based investment bank. "Folks were able to pick up vacation homes with very little money down and substantial loans. Given the absence of mortgage money for primary homes, one can imagine that there's no mortgage money for vacation homes."

Just 9 percent of sales last year were for vacation homes, down from 12 percent in 2007. Proportionally, investment properties held steady at 21 percent.

Wealth and age are strong factors in second home sales. Nearly half of vacation home buyers and two-fifths of investment home buyers had a household income of more than $100,000. The median age for vacation home buyers was 46, nine years older than buyers of primary homes.

Overall, second home sales dropped from about 2.09 million in 2007 to 1.63 million last year. Vacation home sales dropped 31 percent to 512,000, while sales of investment properties fell 17 percent to 1.12 million.

Deeply discounted foreclosures and homebuilders' efforts to unload inventory led median sales prices of vacation homes and investment properties to drop 23 percent and 28 percent respectively.

The median sales price of vacation homes fell to $150,000. Sales prices of investment properties dropped to $108,000.

"As in the market for primary residences, it appears that many sales of deeply discounted distressed homes are pulling down the median price in the second-home market," said Lawrence Yun, the Realtors group's chief economist.

On a regional basis, the South saw the highest percentage of vacation home sales, with 45 percent, followed by the West, the Northeast and the Midwest. The South also led in sales of investment properties, with 40 percent.